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SUBJECT: EMPLOYERS UNION BOSS SAYS FRANCE AT AN INFLEXION POINT

11. (U) Summary: In a September 6 off-the-record breakfast MEDEF (French employers union) President Laurence Parisot told a group of business leaders and opinion makers that France was at a turning point. In a session that ranged from the Doha trade round, to relations with labor unions, to France's upcoming presidential elections Parisot said the choices facing France today would determine whether it went down the road of progress or "poverty." End summary.

12. (U) At an informal September 6 gathering of business and political leaders (sponsored by the weekly L'Express) MEDEF president Laurent Parisot said she was "optimistic" coming off MEDEF's "summer university" that had featured EU President Jose-Manuel Barroso. Barroso had told the MEDEF gathering that France was a champion of globalization "without knowing it." But Parisot said Barroso's message that EU member states were "equals in dignity" had also been a useful dose of humility for a French audience that has difficulty reconciling ambitions to lead Europe with the reality of its inability, at times, to do so.

13. (U) In opening remarks focused on Europe, Parisot said she put considerable stock in the EU's Lisbon agenda. MEDEF will embark on an informational campaign to familiarize France's business class and entrepreneurs with its content. Parisot said she would also ask the GOF to appoint a "Monsieur/Madame Lisbon Agenda" -- someone with sufficient gravitas to raise the visibility of the Agenda in France and help shepherd reform. "(Lisbon) is a political ambition, it needs to be known by the public."

14. (U) On France's upcoming presidential election Parisot said MEDEF could live with "a market economy of the right or left, as long as it's a market economy." MEDEF would prepare a "white book," to be issued in November, outlining what it sees as key issues facing France. Parisot said MEDEF plans to be "very present" in the campaign and had established several internal commissions to develop policy recommendations -- and remind all candidates of the French business community's policy priorities.

15. (U) Among chief concerns, Parisot enumerated reform of the collective bargaining system, reform of the unemployment system, and educational reform. On the first point Parisot said she would welcome stronger membership in French labor unions as a means of creating more reliable "social partners" for French business. An excessive state role in the bargaining process reduced the incentive for workers to look out for their own interests, Parisot thought. MEDEF supported constitutional reform that would reduce the role of the state and give businesses and their "social partners" the right to bargain and establish employment contracts directly.

16. (U) Parisot bemoaned the discourse of "class warfare" favored by some unions, calling it completely out of touch with today's economy. In informal conversation she could find common ground with union leaders on the changing nature of employment in a 21st century economy. But getting agreement to anything on paper was impossible, she said. But Parisot stopped short of supporting a call for ending the unions' monopoly in representing employees during collective bargaining. France's extreme political left was "relatively strong"

and Parisot feared it could exploit the issue in a way that would be "disastrous" for business.

¶18. (U) Asked for her views on the Doha trade round, Parisot said MEDEF had encouraged progress in negotiations and was disappointed with the current state of affairs. Its membership had become more active in pressing its views during the negotiations, she said. And MEDEF was becoming increasingly willing to "break taboo" and disagree openly with French agricultural union, FSNEA, on WTO issues.

¶19. (U) In a brief exchange on "economic patriotism" Parisot said she had told Prime Minister de Villepin that she didn't necessarily object to the principle, as long as it didn't involve constructing commercial "Maginot Lines." The truest form of "economic patriotism" would be to create a French policy environment that was as attractive as possible for doing business, she concluded.

¶10. (SBU) Comment: MEDEF's high profile end-August "summer university" and Parisot's comments at the September 6 off-the-record breakfast indicate MEDEF and the French business community will look to stake out a higher profile in the upcoming campaign than has traditionally been the case here. (MEDEF has been somewhat the wallflower during the Doha Round and during France's CPE debate last spring.) The upcoming presidential campaign will be as much about style as substance. A key part of the substantive debate, however, will center on reform that calls for accelerated free-market liberalization (advocated by the center-right) as against reform that highlights continued, possibly increased, protections for those most likely to be the losers in market-driven change (advocated by the center left). What the French call the "peoplization" of politics (i.e. the preponderant role of image in determining voters' choices) does complicate the MEDEF's intention to spark serious debate about the employment and investment practices of France in the 21st century. However, such far-reaching debate, followed by

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the making of a clear-cut electoral choice, is long overdue, and both the public and key leaders in the major political parties recognize that. The MEDEF, if it does so with political sensitivity and sound argument, could play a key role in framing this debate for a French public by and large quite suspicious of business and dismissive of commerce.

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